

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WHITLEY COUNTY)	
WATER DISTRICT FOR A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO)	2006-00367
CONSTRUCT, FINANCE AND INCREASE RATES)	
PURSUANT TOKRS 278.023)	

O R D E R

On August 1, 2006, Whitley County Water District (“Whitley District”) submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$1,675,000 waterworks improvement project. This project consists of the installation of approximately 78,700 linear feet of water lines and appurtenances and the construction of a 100,000-gallon water storage tank which will serve approximately 100 new customers in Whitley District’s territory. The filing was deemed deficient and a deficiency letter was sent to the Whitley District on August 3, 2006 indicating that both preliminary and final engineering reports should be submitted before this case could be considered filed. On August 30, 2006, an amendment to the application was submitted to the Commission with both the preliminary and final engineering reports and a USDA Rural Development (“RD”) letter that served as Amendment No. 1 to the Letter of Conditions dated April 6, 2004. The filing requirements were met, and the case is considered filed as of August 30, 2006.

Whitley District proposes to finance the construction of the project through (i) the issuance of \$295,000 of its Waterworks Revenue Bonds maturing over a 40-year period at an interest rate not exceeding 4.375 percent per annum; (ii) an RD grant in the

amount of \$350,000; (iii) an Appalachian Regional Commission (“ARC”) grant in the amount of \$400,000; (iv) a State Tobacco Fund grant in the amount of \$600,000; and (v) a Whitley District contribution in the amount of \$30,000. Whitley District’s application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U.S. Department of Agriculture or the U.S. Department of Housing and Urban Development, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing requirements were met in this case on August 30, 2006, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. Whitley District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Whitley District’s proposed plan of financing with RD is accepted.
3. Whitley District is authorized to borrow \$295,000 at an interest rate not exceeding 4.375 percent per annum for 40 years.
4. The proceeds from the bond issuance shall be used only for the purposes specified in Whitley District’s application.
5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, Whitley District may use such surplus to construct additional plant facility if RD approves of the use, and the additional construction will not result in a change in Whitley District’s rates for service. Whitley

District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. Whitley District shall file a copy of the “as-built” drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certified herein.

7. Whitley District shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), Whitley District shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

8. Whitley District shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

9. The rates set out in Appendix A, which is attached hereto and incorporated herein, are the rates approved for service rendered on and after the date of this Order.

10. Within 30 days of the date of this Order, Whitley District shall file with the Commission its revised tariffs setting out the rates approved herein.

11. Three years from the effective date of this Order, Whitley District shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 14th day of September, 2006.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00367 DATED SEPTEMBER 14, 2006

The following rates and charges are prescribed for the customers in the area served by Whitley County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

First	1,000	Gallons	\$ 18.93	Minimum bill
Next	4,000	Gallons	6.39	per 1,000 Gallons
Next	95,000	Gallons	5.97	per 1,000 Gallons
All Over	100,000	Gallons	5.42	per 1,000 Gallons